

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 EB-11 IGA-02 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 TRSE-00 DRC-01 /069 W

----- 086510

R 101555Z DEC 73

FM AMEMBASSY LIMA

T O SECSTATE WASHDC 8062

UNCLAS LIMA 8977

EO 11652: N/A

SUBJECT: LOAN STATUS REVIEW

REF: STATE 232866

USAID RESPONSE TO REFERENCE USING SAME PARAGRAPHING FOLLOWS:

1. ON NOV. 5, 1973, USAID RECEIVED A PARTIAL PLAN FOR DISBURSEMENT OF REVOLVING FUND WHICH FORECASTED FINAL DISBURSEMENT OF FUND EARLY IN 1974. WILL FOLLOW CLOSELY TO INSURE FULL DISBURSEMENT AS PLANNED.

2A. TWO RELEVANT LAWS ENACTED 27 NOVEMBER: 1) LAW 20228 PROVIDES THAT THE GOP WILL SUPPLY NECESSARY FUNDS TO AGBANK, AND 2) LAW 20229 PROVIDES THAT THE AGBANK WILL ABSORB THE INTEREST LOSSES INCURRED FROM ITS OWN RESOURCES. USAID DIRECTOR WROTE AGBANK ON DECEMBER 3, 1973 REQUESTING DEPOSIT OF FUNDS. ESTIMATED DEPOSIT DATE: 12/31/73.

B. OUTSTANDING AUDIT RECOMMENDATIONS.

RECOMMENDATION NO.2 WAS CLEARED BY USAID ON 10/1/73. WE RECENTLY RECEIVED THE FINAL REPORT OF THE CONTROLLER GENERAL'S AUDIT OF THE TRUST FUND FOR THE YEARS 1971 AND 1972. REVIEW OF THIS AUDIT REPORT INDICATES THAT THE GOP HAS IDENTIFIED THE PROBLEMS AND, BY LAW, THE BANK MUST NOW TAKE ACTION TO CORRECT THEM. IN VIEW OF THIS, USAID IS NOW CONSIDERING CLEARING RECOMMENDATION NO.1.

3. WITH RETENTION GOMEZ UNTIL MARCH, LOAN PROGRAM WILL BE COMPLETED
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AS PLANNED. OPERATIONS NOW SOLIDLY ESTABLISHED VIABLE AGENCY AND NO

PROBLEMS FORESEEN.

4A. CONDITIONS PRECEDENT UNDER SECTION 3.02 EXPECTED TO BE FULLY COMPLETED SHORTLY UPON DESIGNATION OF EXECUTIVE SECRETARY AND AGREEMENT ON TECHNICAL SERVICES CONTRACT BETWEEN MARKET DEVELOPMENT COMMITTEE AND CONSULTANT (ATA).

B. STARTING WITH PUBLICITY AT PUCAFIC FAIR IN LIMA LAST WEEK AND T.V., RADIO AND OTHER MEDIA PROGRAMS PROJECTED, GOP IS MAKING DETERMINED EFFORT TO MEET DEADLINES. WILL ADVISE PROGRESS.

5. WHILE NO DETAILED BREAKDOWN IS AVAILABLE, BOTH 054 AND 056 WERE LOANED ON TERMS OF 2 TO 12 YEARS. REPAYMENT RECORDS FOLLOWS:

IN US\$000

AS OF SEPTEMBER 30, 1973

EARTHQUAKE FLOOD

LOAN 054 LOAN 056

LOANS:

| | | | | | |
|----------------------------|---------|------|---------|-------|---|
| * CURRENT | \$1,779 | 35.6 | \$5,734 | 112.4 | & |
| PAST DUE LESS THAN 90 DAYS | 4 | .1 | 68 | 1.3 | |
| " " OVER 90 DAYS (1) | 7 | .1 | 103 | 2.0 | |
| TOTAL LOANS OUTSTANDING | 1,790 | 35.8 | 5,905 | 115.7 | |
| ADD: LOANS REPAYED | 7 | .1 | 197 | 3.9 | |
| | 1,797 | 35.9 | 6,102 | 119.6 | |

*DEDUCT: GOP LOANS FOR HOUSING

(UP TO 25 YEARS TERMS)

INCLUDED IN TOTAL, NOT

FINANCED BY AID LOAN - - 1,142 22.4

4,960 97.2

DEDUCT: ADVANCE NOT REPORTED IN

| | | | | |
|-----------------------------------|---------|------|--------|------|
| SEPTEMBER STATEMENTS | 186 | 3.7 | 10 | .2 |
| AMOUNTS DISBURSED BY AID | 1,611 | 32.2 | 4,950 | 97.0 |
| REMAINING TO BE DISBURSED | 3,389 | 67.* | 100(2) | 2.0 |
| USED FOR TA (RIVER DEFENSE STUDY) | - | - | 50(2) | 1.0 |
| AMOUNT OF AID LOAN | \$5,000 | 100 | 5,100 | 100 |

(1) OF THIS AMOUNT, LEGAL ACTION TO RECOVER HAS BEEN INITIATED ON \$ 6 89 & \$ 103 100 &

(2) DISBURSED AFTER 9/30/73

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(OPS NOTE: "&" IN PARA 5 DENOTES PERCENT SIGN)

6A. USAID FORMED TASK FORCE IN MID-NOVEMBER TO EVALUATE CURRENT STATUS OF LOAN, IDENTIFY IMPLEMENTATION PROBLEMS AND MAKE RECOMMENDATIONS. TASKS FORCE CURRENTLY GATHERING THE TYPE OF INFORMATION REQUESTED IN REFTEL, AND WILL HAVE REPORT PREPARED BY END DECEMBER TO BE SUBSEQUENTLY FORWARDED TO AID/W.

B. TASK FORCE STUDY IS, IN PART, A RESPONSE TO RECENT ORDEZA REQUEST

TO USAID FOR MANAGEMENT CONSULTANT ASSISTANCE IN LOAN IMPLEMENTATION. BOTH ORDEZA AND BVP COLLABORATING IN STUDY, AND RESULTS WILL BE DISCUSSED AND JOINTLY EVALUATED WITH THEM.

C. US ID HAS MET WITH ORDEZA PRESIDENT TO DISCUSS MAJOR PRELIMINARY FINDINGS AND RECOMMENDATIONS AS WELL AS EXPRESS CONCERN OVER IMPLEMENTATION DELAYS, AS SUGGESTED IN REFERENCE. ORDEZA PRESIDENT EXPRESSED DESIRE COLLABORATE CLOSELY WITH AID AND COP AGENCIES TO ENSURE SUCCESS OF LOAN.

D. USAID APPRECIATES BUREAU RESPONSE TO REQUEST FOR TDY ASSISTANCE. EXPECT THAT ASSISTANCE WOULD BE TIMELY STARTING LATE JANUARY/EARLY FEBRUARY AFTER COMPLETION AND EVALUATION OF TASK FORCE EFFORTS.

7. USAID IS CHECKING WITH GOP AND ANSWER EXPECTED MOMENTARILY. WILL CABLE RESULTS.

8. LOAN COMPLETION REPORT ON 047 WILL BE SUBMITTED EARLY JANUARY, 1974.

9 IN RESPONSE TO AID/W QUERY AT LOAN REVIEW ON STATUS TARAPOTO-RIO NIEVA ROAD, CURRENT INFORMATION IS THAT WORK IS PROCEEDING ON 40 KILOMETERS REMAINING WITH COMPLETION EXPECTED BY JULY 1974.

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